

Do Relationship Building Websites Pay Off?
An Investigation Of The Role Of Relational Benefits And Costs
Within An FMCG Context

Abstract

The paper examines whether investments on the development of websites dedicated to broadening the customer-company relationship is a viable strategy. Relational benefits and the, somewhat neglected, relational costs are used as predictors of relational outcomes such as increase at the website loyalty, positive word-of-mouth towards the website, and intentions to increase purchases of company's products. Results from visitors of a relationship building website developed and sponsored by Procter & Gamble, provide evidence in support of such strategic initiatives for both broadening and strengthening customer-company relationships.

Track: Interactive Marketing

1. Introduction

While customer's decision to buy a product for the first time is based largely on an assessment of its core benefits, repeat purchase is, usually, the result of both core and relational benefits (Blackwell et al. 1999). The relational benefits stem from the interpersonal contact between the customers and company representatives (sales people, front-line employees), and under certain circumstances (Bitner 1995) may even overshadow the importance of the product core benefits. However, the rapid evolution of Internet as a channel for communicating with the customers, product delivery and customer service, in combination with its highly impersonal attributes, brings to the front a new question: do investments in online activities, such as the development of websites aiming at broadening the relationships with the customers beyond the stages of their buying decision making process, represent an effective strategy? This question is getting more pressing as product manufacturers such as Procter & Gamble and Coca-Cola, and retailers such as Wall-Mart, invest in the development of websites, solely dedicated to the enhancement of relationships with their customers.

2. Theoretical background of the study

2.1 Relational benefits

Setting out from the basic assumptions of relationship marketing (e.g. Berry 1983; 1995; Sheth and Parvatiyar 1995), which suggest that for a relationship to last and develop, both parties should receive some sort of benefits, in addition to those stemming from the core-product/service, Gwinner et al. (1998), developed a typology of customer relational benefits within a service context.

More specifically, the authors suggested three types of benefits (Gwinner et al. 1998). The first category was named *confidence* benefits, referring to customers' knowledge of the provider and its competences which lead them feel reduced anxiety. The second category, *social* benefits concerns customers' perception that company employees know them personally and could even develop close ties with them. Finally, the authors merged the economic and customization benefits identified in the qualitative part of their study under one factor named *special treatment*, pertaining to the price breaks, faster service, or individualized additional services that customers might receive due to their long lasting relationship with the company. This typology has been confirmed by several subsequent studies (e.g. Chang and Chen 2007; Colgate et al. 2005; Henning-Thurau et al. 2005; Martin-Consuegra et al. 2006; Marzo-Navarro et al. 2004; Patterson and Smith 2001; 2003; Yen and Gwinner 2003)

2.2 Relational costs

Relational costs are a rarely examined issue in the relationship marketing literature. A first approach on relational costs is provided by the literature of customer perceived value (Zeithaml 1988). Storbacka et al. (1994) suggest that customer's perceived value of the service is an exchange between service quality and the perceived sacrifices, compared with some implicit or explicit standards.

Relational costs have also been studied as switching or termination costs. Switching costs are the penalties consumers feel when they move to another supplier (Burnham et al. 2003; Jones et al. 2007). Termination costs are a type of switching costs concerning short term inconveniences and physiological upsets, for the effort, the time and the money required to find an alternative provider (Bendapudi and Berry 1997; Morgan and Hunt 1994). These costs "tend to hold" a customer in a relationship.

However, a neglected type of costs within the relationship marketing paradigm, are costs arising from the maintenance of a relationship, such as opportunity costs (Payne et al. 1996), privacy cost (Malaga 2001), and costs related to non agreed behaviors from the part of the provider (e.g. irritating sales calls, or promotional e-mails) (Ross 2000). Contrary to the switching costs, these types of costs have a negative effect on the relationship continuance.

2.3 Relational benefits, customer satisfaction and behavioral outcomes

Several researchers within the relationship marketing paradigm have examined the role of relational benefits as the basis for the development of customer-company long-term relationships (e.g. Hennig-Thurau et al. 2002; Molina et al. 2007; Morgan and Hunt 1994; Palmatier et al. 2006; Reynolds and Beatty 1999). For example, Gwinner et al. (1998) observed weak but significant correlations between all three relational benefits and the three relational outcomes of satisfaction, loyalty and word-of-mouth. In a similar vein, Reynolds and Beatty (1999) indicated that functional benefits affected word-of-mouth and loyalty to the salesperson, and social benefits impacted directly loyalty. Thus, research conducted primarily within offline environments, offers strong support for the relationship between relational benefits and a number of typical relationship marketing outcomes such as satisfaction, loyalty, and word-of-mouth.

2.4 Relational benefits in the online context

Despite the rapid expansion of Internet as a channel for both communicating and transacting with customers, academic research has only sporadically investigated the role (if any) of the relational benefits within this context. Yen and Gwinner (2003) provide empirical evidence for a link between Internet attributes such as users' perceptions (i.e. shoppers of two online retailers) of control, performance, efficiency, and convenience with only two types of relational benefits, namely *special treatment* and *confidence*, in order to ascertain users' relational outcomes (satisfaction and loyalty). Nonetheless, Yen and Gwinner (2003) discarded from their study social benefits because, in their view, Internet "by definition excludes interactions with others, there is no opportunity to develop social relational benefits" (p. 486).

In a later study Colgate et al. (2005), underscore the differences between online and offline customer-company relationships, and suggest that the Internet provides with a multitude of tools and opportunities for enhancing communications and social interaction. At the same time, Internet may also lead to an erosion of relationships, in cases where customers perceive as highly important the face-to-face (physical) interactions with company employees, as well as other customers. To this end they sought to identify those relational benefits characteristic of online shopping contexts.

Via a preliminary qualitative study they found that all three types of relational benefits suggested by Gwinner et al. (1998) appeared to be important, with *confidence* benefits scoring highest, followed by *special treatment* and *social* benefits. In addition they found that Internet affords customers with *functional* benefits such as the convenience of any time/any place service. Following their qualitative part, Colgate et al. (2005), found, through a quantitative study, that two more benefits (*relationship history with the company* and *personal advice*) appear to be important relational benefits within an online context.

Despite the important implications of these two studies, both are characterized by the same two limitations. First, they do not provide a balanced view of relational benefits and relational

costs, as they examine only the role of relational benefits and do not assess whether the online context creates additional relational costs.

Secondly, both studies focus on the transaction part of the relationship. In other words, in both studies, customers enter transaction systems (e-store/e-banking) with the single purpose of finalizing their buying decision process. However, relational benefits result from customer-company interactions in a variety of occurrences both during the consumer buying process (of which transactions represents only one stage), and outside the transaction process (e.g. company actions aiming to strengthen relationships with customers). This may actually, explains, in part, the critical role of *confidence* relational benefits identified in both studies, as customers, especially within online contexts, experience higher levels of risk during the purchase stage compared to other stages of buying process (Gupta et al. 2004; Mishra and Olshavsky 2005).

However, companies are investing on the restructuring of their websites in order to initiate or/and maintain relationship building for both visitors and regular clients. For example, customization, and integral part of relationship building philosophy (Berry 1983), is offered in the websites of most respected retailers. As such, once logged in their accounts, customers, can customize the interface of the website, choose the types of information to be received by the company, ask for personal advice, retrieve information on their purchasing history, etc.

Recently, relationship building efforts have gone a step further; companies from FMCG producers such as P&G¹ and Coca-Cola² to retailers such as Wal-Mart³, launch websites that are totally independent from their corporate/e-store websites with the goal of developing deeper relationships with regular and prospective customers beyond the transactional level, which is served primarily by their corporate/e-store websites. This may result from two reasons; first companies have realized that successful relationships building is accomplished by developing areas of interest for their customers beyond those served by the consumption of the product itself. For example, P&G has developed totally independent websites named with the equivalent of the English word “desires”, for each of the 45 countries where they have an active presence, with detailed “hints & tips” on how to organize almost every aspect of human life from marriage arrangement to ideas for Christmas gifts; all these web sites are totally adjusted to the local cultures, with additional material and links to other websites of local interest.

Furthermore, companies realize that, although online shopping rates are increasing, a large number of consumers use the Internet only as an information retrieval mechanism. Thus, companies seek to (a) offer value by fulfilling the informational needs of their customers (one stop “hints & tips” for everything), and (b) increase their visibility in the increasingly cluttered world wide web.

Given this situation and the gaps identified in the literature this study has two goals; first, to provide a balanced view of the role that both relational benefits and costs play in forming customer relational outcomes, and second to increase the breadth of academic inquiry to include company relationship building efforts beyond the point of sale.

¹ <http://www.supersavvy.com/>

² <http://www.mycokerewards.com/>

³ <http://walmartstores.com/>

3. Research methodology, analyses, and results

To fulfill the needs of the present study we contacted Procter & Gamble Greece, and asked their permission and support for studying visitors' perceptions of the www.epithimies.gr, the Greek P&G/"supersavvyme" website. It is the electronic version of a hard-copy magazine, which contains articles about beauty & health, family & home, and fashion advices. As a preliminary step we contacted three focus groups, of 6-8 persons each with members of the "epithimies club". Gender, age, residence and time since subscription used as quotas for assembling the focus groups, as these were the only personal data gathered for subscribing to the club. The purpose of this first part was to ascertain through the customers' words the relational benefits and costs associated with the use of the website. Using frameworks developed in previous studies (e.g. Gwinner et al. 1998), relational benefits and costs were identified and assigned into the categories suggested by the relationship marketing literature.

Overall, participants agreed that club members perceived three major types of relational benefits, namely *functional*, *social* and *special treatment*. Interestingly enough, *confidence* benefits do not seem to be considered at all by the club members. In justifying their view, some club members supported that the website is sponsored by the producer of well known and trusted brands, and others suggested that since no transactions are taking place there is nothing risky with browsing across the website.

As for the relational costs, researchers identified four specific costs: the "unsolicited e-mails" send by the website, the "opportunity costs" as a result of resorting, primarily, on alternatives suggested by a single website, the "effort of setting up an account", and the potential "loss of privacy" due to the fact that the company has the capability of observing the personal browsing history of the club members without their consent. However, the third and forth costs ("effort of setting up an account", "loss of privacy") were only mentioned once by the same person. As such we dropped them from the next phase of the research.

To validate these, qualitative in nature, findings, we run a survey on a stratified sample of 1,500 club members. A questionnaire was prepared, including (a) scales of the three types of relational benefits identified during the previous phase of the study, and adapted to fit the research context; two items measuring the two specific costs, also identified during the previous phase of the study; and three items measuring the three major relational outcomes (i.e. intentions to revisit the website, intentions to increase purchase of company's products, and website word-of-mouth intentions). The questionnaire was uploaded on the e-magazine's website. This process resulted 444 fully completed questionnaires. Compared to the total number of the club members, the sample is slightly skewed towards the younger age groups, and the older club members.

To investigate scales validity, first, we employed Exploratory Factors Analysis. Results suggest that one of the items measuring *special treatment* benefits had to be dropped due to cross-loading with the *functional* benefits factor. Furthermore, both items measuring relational costs loaded on the same factor. Finally, the three items measuring relational outcomes all loaded to the same factor. To further examine the validity of the measures we employed Confirmatory Factor Analysis. Calculation of composite reliabilities, average variance extracted, and comparisons with factor correlations, revealed that the measures possess both convergent and discriminant validity.

Following the assessment of the psychometric properties of the scales, a structural equation model (see figure 1, Appendix) of the relationships among the constructs was fitted to the data, using AMOS. Results of the analyses suggest that the hypothesized model fits relatively well the data ($\chi^2_{(df)}=96.144_{(54)}$, CFA=0.982, RMSEA=0.042). Relational benefits and

relational costs explain almost half of the observed variance in *relational outcomes* ($R^2=0.459$). More specifically, *functional* benefits have the strongest effect in *relational outcomes* followed by *relational costs*, and *social benefits*. *Special treatment* benefits have no significant effect of *relational outcomes*.

4. Discussion and implications

Study results confirm in part results of previous studies (Colgate et al. 2005; Yen and Gwinner 2003), by suggesting that *functional* benefits are significant predictors of relational outcomes within an online context. However, contrary to previous research, the present study clearly suggests that *social* benefits are significant predictors of relational outcomes. In other words, the virtual social interactions (e.g. posting questions, receiving answers, sharing views, giving suggestions to other club members, etc.), and the diversity of social topics comprising the content of the website, play a critical role to the relationship continuance. Furthermore, as the qualitative part of the study suggests, customers in a non transaction-based online setting, do not seem to be affected by the credibility of the website sponsoring company. Though, this needs to be empirically tested explicitly in a future study.

Moreover, study results suggest that in the case of relationship building websites *special treatment* benefits have no effect on relational outcomes. Obviously, this reflects the fact that customers, soon after they have entered the website, realize that the content and all its “hints & tips” are freely available to anyone. Thus, they do not feel the presence of any type of *special treatment* benefits, at least compared to the other website visitors. Nonetheless, compared to customers of competing products, whose companies do not offer such a website yet, the existence of this website may be perceived as a *special treatment* benefit. This is another topic which needs to be studied further in the future. Finally, relational *costs* have a negative effect, of similar size to that of *social* benefits, clearly suggesting that online relationship building efforts come at a cost, adversely affecting relationship outcomes.

At a theoretical level, these findings indicate that as the customer-company interactions move beyond the point of transaction, to include other non-transaction customer-company touch-points such as the provision of information in topics of interest to the consumer, a change seems to take place in the type and strength of the relational benefits that affect relationship continuance. From a practical point of view, investments on company sponsored relationship building websites appear an effective strategy for enhancing customer-company relationships. Albeit, investments have to be guided to the enrichment of those *functional* and *social* benefits that customers perceive as most important, while efforts to minimize customer perceived relational *costs* will encourage even more relationship continuance.

5. Limitations and suggestions for further research

Though P&G products span a wide range of the FMCG categories, comparisons with websites sponsored by single product companies such as Coca-Cola, or services (e.g. Virgin Atlantic), are missing from this study and are definitely needed to validate present results. Given the differential importance of relational benefits across cultural settings (Henning-Thurau et al. 2005) and the fact that companies such as P&G have already launched relationship building websites in most countries where the company has an active presence, a cross-cultural examination of the role of relational benefits and costs is welcome. Finally, although our qualitative research produced a number of relation *costs*, further investigation of the role of different types of customers perceived costs within an online environment would help uncover factors that may inhibit customer-company relationship continuance.

References

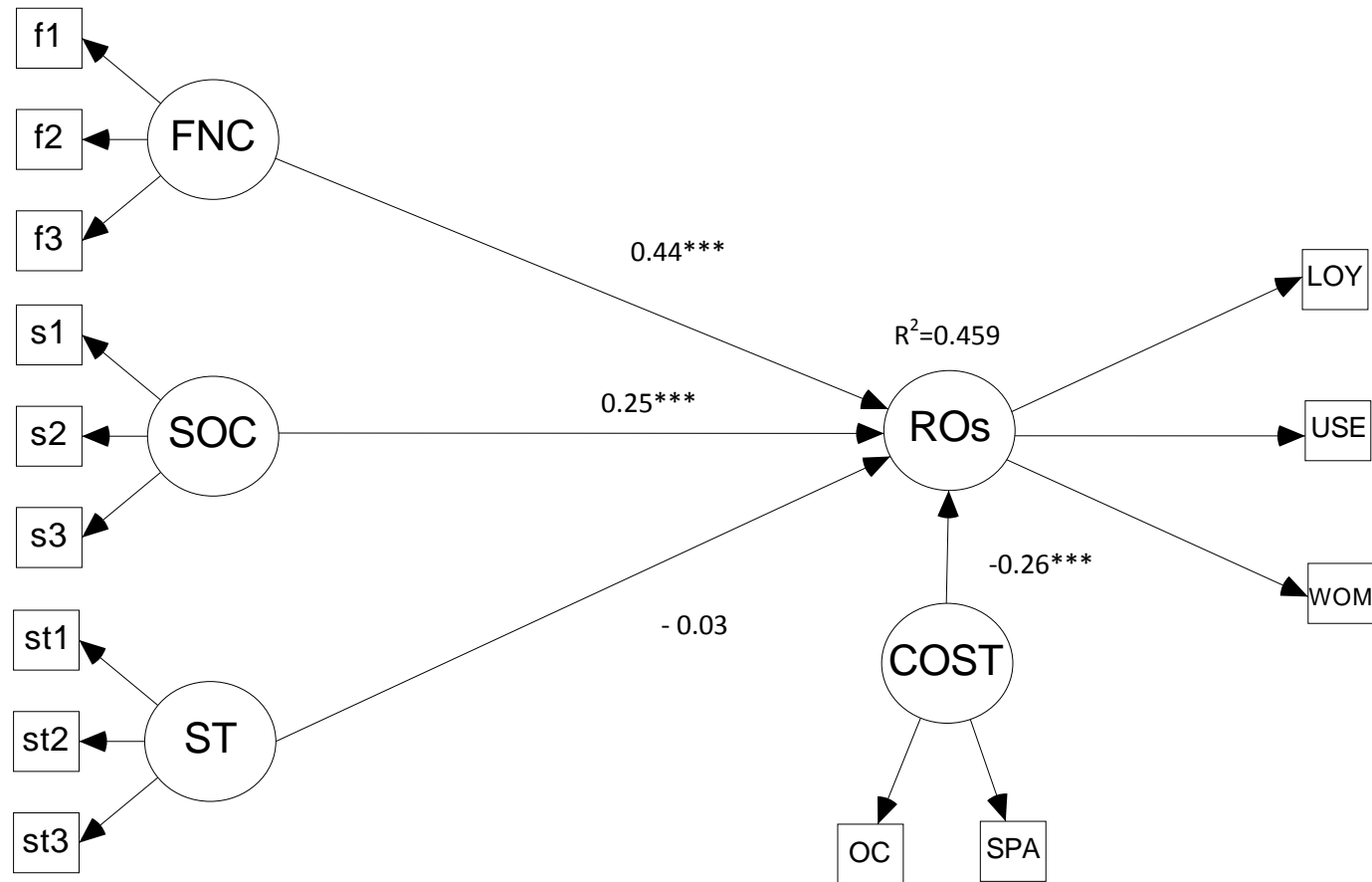
- Bendapudi, N. and Berry, L.L. (1997), "Customers' Motivations for Maintaining Relationships with Service Providers", *Journal of Retailing*, Vol. 73, No. 1, pp. 15-37.
- Berry, L. (1983), *Relationship Marketing*, Chicago: American Marketing Association.
- Berry, L. (1995), "Relationship Marketing of Services-Growing interest, Emerging Perspectives", *Journal of the Academy of Marketing Science*, Vol. 23, No. 4, pp. 236-245.
- Bitner, M.J. (1995), "Building Service Relationships: It's All About Promises", *Journal of the Academy of Marketing Science*, Vol. 23, No. 4, pp. 246-251.
- Blackwell, S.A., Szeinbach, S.L., Barnes, J.H., Garner, D.W. and Bush, V. (1999), "The Antecedents of Customer Loyalty: An Empirical Investigation of the Role of Personal and Situational Aspects on Repurchase Decisions", *Journal of Service Research*, Vol. 1, No. 4, pp. 362-375.
- Burnham, T., Frels, J. and Mahajan, V. (2003), "Consumer Switching Costs: A Typology, Antecedents and Consequences", *Journal of the Academy of Marketing Science*, Vol. 31, No. 2, pp. 109-126.
- Chang, Y.H. and Chen, F.Y. (2007), "Relational Benefits, Switching Barriers and Loyalty: A Study of Airline Customers in Taiwan", *Journal of Air Transport Management*, Vol. 13, No. 2, pp. 104-109.
- Colgate, M., Buchanan-Oliver, M. and Elmsly, R. (2005), "Relationship Benefits in an Internet Environment", *Managing Service Quality*, Vol. 15, No. 5, pp. 426-436.
- Crosby, L., Evans, K. and Cowles, D. (1990), "Relationship Quality in Services: An Interpersonal Influence Perspective", *Journal of Marketing*, Vol. 54, No. 3, pp. 68-81.
- Gupta, A., Su, B.C. and Walter, Z. (2004), "Risk Profile and Consumer Shopping Behavior in Electronic and Traditional Channels", *Decision Support Systems*, Vol. 38, No. 3, pp. 347-367.
- Gwinner, K.P., Gremler, D.D. and Bitner, M.J. (1998), "Relational Benefits in Services Industries: The Customer's Perspective", *Journal of the Academy of Marketing Science*, Vol. 26, No. 2, pp. 101-114.
- Henning-Thurau, T., Gwinner, K.P. and Gremler, D.D. (2002), "Understanding Relationship Marketing Outcomes", *Journal of Service Research*, Vol. 4, No. 3, pp. 230-247.
- Hennig-Thurau, T., Gwinner, K.P., Gremler, D.D. and Paul, M. (2005), "Managing Service Relationships in a Global Economy: Exploring the Impact of National Culture on the Relevance of Customer Relational Benefits for Gaining Loyal Customers", *Advances in International Marketing*, Vol. 15, Special issue on State of the Art in Research on International Services Marketing, pp. 11-31.
- Jones, M.A., Reynolds, K.E., Mothersbaugh, D.L. and Beatty, S.E. (2007), "The Positive and Negative Effects of Switching Costs on Relational Outcomes", *Journal of Service Research*, Vol. 9, No. 4, pp. 335-355.
- Malaga, R.A. (2001), "Consumer Costs in Electronic Commerce: An Empirical Examination of Electronic Versus Traditional Markets", *Journal of Organizational Computing & Electronic Commerce*, Vol. 11, No. 1, pp. 47-58.

- Martin-Consuegra, D., Molina, A. and Esteban, A. (2006), "The Customers' Perspective on Relational Benefits in Banking Activities", *Journal of Financial Services Marketing*, Vol. 10, No. 4, pp. 98-108.
- Marzo-Navarro, M., Pedraja-Iglesias, M. and Rivera-Torres, M. (2004), "The Benefits of Relationship Marketing for the Consumer and for the Fashion Retailers", *Journal of Fashion Marketing and Management*, Vol. 8, No. 4, pp. 425-436.
- Mishra, S. and Olshavsky, R.W. (2005), "Rationality Unbounded: The Internet and Its Effects on Consumer Decision Making. In Haugtvedt, C.P., Machleit, K.A. and Yalch, R.F. (Eds.), *Online consumer psychology: understanding and influencing behavior in the virtual world* (pp. 361-378). Mahwah, New Jersey: Lawrence Erlbaum Associates Inc.
- Molina, A., Martin-Consuegra, D. and Esteban, A. (2007), "Relational benefits and customer satisfaction in retail banking", *International Journal of Bank Marketing*, Vol. 25, No. 4, pp. 253-271.
- Morgan, R.M. and Hunt, S.D. (1994), "The Commitment-Trust Theory of Relationship Marketing", *Journal of Marketing*, Vol. 58, No. 3, pp. 20-38.
- Palmatier, R., Dant, R., Grewal, D. and Evans, K. (2006), "Factors Influencing the Effectiveness of Relationship Marketing: A Meta-analysis", *Journal of Marketing*, Vol. 70, No. 4, pp. 136-153.
- Patterson, P.G. and Smith, T. (2001), "Relationship Benefits in Service Industries: A Replication in a Southeast Asian Context", *Journal of Services Marketing*, Vol. 15, No. 6, pp. 425-443.
- Patterson, P.G. and Smith, T. (2003), "A Cross-cultural Study of Switching Barriers and Propensity to stay with service providers", *Journal of Retailing*, Vol. 79, No. 2, pp. 107-120.
- Payne, J.W., Bettman, J.R. and Luce, M.F. (1996), "When Time Is Money: Decision Behavior under Opportunity-Cost Time Pressure", *Organizational Behavior & Human Decision Processes*, Vol. 66, No. 2, pp. 131-152.
- Peterson, R.A. (1995), "Relationship Marketing and the Consumer", *Journal of the Academy of Marketing Science*, Vol. 23, No. 4, pp. 278-281.
- Ravald, A. and Gronroos, C. (1996), "The Value Concept and Relationship Marketing", *European Journal of Marketing*, Vol.30, No. 2, pp.19-30.
- Reynolds, K.E. and Beatty, S.E. (1999), "Customer Benefits and Company Consequences of Customer-Salesperson Relationships in Retailing", *Journal of Retailing*, Vol. 75, No. 1, pp. 11-32.
- Ross, P.D. (2000) "Marketing Without Consent: Consumer Choice and Costs, Privacy, and Public Policy", *Journal of Public Policy & Marketing*, Vol. 19, No. 1, pp. 42-53.
- Sheth, J.N., Parvatiyar, A. (1995), "Relationship Marketing in Consumer Markets: Antecedents and Consequences", *Journal of the Academy of Marketing Science*, Vol. 23, No.4, pp. 255-271.
- Storbacka, K., Strandvik, T. and Grönroos, C. (1994), "Managing Customer Relationships for Profit: The Dynamics of Relationship Quality", *International Journal of Service Industry Management*, Vol. 5, No. 5, pp. 21-38.

- Yen, R.H.J. and Gwinner, K.P. (2003), "Internet Retail Customer Loyalty: The Mediating Role of Relational Benefits", *International Journal of Service Industry Management*, Vol. 14, No. 5, pp. 483-500.
- Zeithaml, V.A. (1988), "Consumer Perceptions of Price, Quality and Value: A Means-end Model and Synthesis of Evidence", *Journal of Marketing*, Vol. 52, No. 3, pp. 2-22.

Appendix

Figure 1: Research Model



Note: FNC: functional benefits, SOC: social benefits, ST: special treatment benefits, ROs: relational outcomes, OC: opportunity costs, SPA: annoying mails, LOY: returning to the website, USE: increase product purchases, WOM: word-of-mouth standardized estimates, *** $p < 0.000$,

Figure 2: P&G “supersavvyme” website

The screenshot displays the 'supersavvyme' website interface. At the top, the 'super savvy me' logo is on the left, and a navigation bar includes links for Style, Health & Wellbeing, Home & Garden, Family Life, Food, Community, and Member Offers. A right-hand sidebar contains a 'REGISTER' button, a login form with 'Your login' and 'Password forgotten' links, and a search bar labeled 'Enter one or more keywords'.

The main content area features a 'Family Life' section with a photo of a family and the headline 'Start your own film club'. The text describes a winter night activity and includes links for 'Read More' and 'More family life articles'. Below this, a 'Food' section highlights 'Lowri Turner on In defence of the 'white lie'', featuring a photo of Lowri Turner and a link to 'Read more...'. To the right of the Family Life section is a large Oral-B promotion with a 'Buy now for 1/2 price' button and a '50%' discount tag.

At the bottom left, a red box contains text about the website's mission and member offers, with links to 'meet the team' and 'member offers'. At the bottom right, a section titled 'Discover Supersavvyme Brands' features a cartoon character and the text 'Want to play?'.